

105TH CONGRESS
2D SESSION

H. R. 3116

To address the Year 2000 computer problems with regard to financial institutions, to extend examination parity to the Director of the Office of Thrift Supervision and the National Credit Union Administration, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 28, 1998

Mr. LEACH (for himself, Mr. CASTLE, Mr. BACHUS, Mr. BAKER, and Mrs. ROUKEMA) introduced the following bill; which was referred to the Committee on Banking and Financial Services

A BILL

To address the Year 2000 computer problems with regard to financial institutions, to extend examination parity to the Director of the Office of Thrift Supervision and the National Credit Union Administration, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; DEFINITION.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Examination Parity and Year 2000 Readiness for Finan-
6 cial Institutions Act”.

1 (b) YEAR 2000 COMPUTER PROBLEM DEFINED.—

2 For purposes of this Act, the term “Year 2000 computer
3 problem” means, with respect to information technology,
4 any problem which prevents such technology from accu-
5 rately processing, calculating, comparing, or sequencing
6 date or time data—

7 (1) from, into, or between—

8 (A) the 20th and 21st centuries; or

9 (B) the years 1999 and 2000; or

10 (2) with regard to leap year calculations.

11 **SEC. 2. FINDINGS.**

12 The Congress finds as follows:

13 (1) The Year 2000 computer problem poses a
14 serious challenge to the American economy, includ-
15 ing the Nation’s banking and financial services in-
16 dustries.

17 (2) Thousands of banks, savings associations,
18 and credit unions rely heavily on internal informa-
19 tion technology and computer systems, as well as
20 outside service providers, for mission-critical func-
21 tions, such as check clearing, direct deposit, account-
22 ing, automated teller machine networks, credit card
23 processing, and data exchanges with domestic and
24 international borrowers, customers, and other finan-
25 cial institutions.

1 (3) Federal financial regulatory agencies must
2 have sufficient examination authority to ensure that
3 the safety and soundness of the Nation's financial
4 institutions will not be at risk.

5 **SEC. 3. SEMINARS AND MODEL APPROACHES TO YEAR 2000**

6 **COMPUTER PROBLEM.**

7 (a) SEMINARS.—

8 (1) IN GENERAL.—Each Federal banking agen-
9 cy and the National Credit Union Administration
10 Board shall offer seminars to all depository institu-
11 tions and credit unions under the jurisdiction of
12 such agency on the implication of the Year 2000
13 computer problem for—

14 (A) the safe and sound operations of such
15 depository institutions and credit unions; and

16 (B) transactions with other financial insti-
17 tutions, including Federal reserve banks and
18 Federal home loan banks.

19 (2) CONTENT AND SCHEDULE.—The content
20 and schedule of seminars offered pursuant to para-
21 graph (1) shall be determined by each Federal bank-
22 ing agency and the National Credit Union Adminis-
23 tration Board taking into account the resources and
24 examination priorities of such agency.

25 (b) MODEL APPROACHES.—

1 (1) IN GENERAL.—Each Federal banking agen-
2 cy and the National Credit Union Administration
3 Board shall make available to all depository institu-
4 tions and credit unions under the jurisdiction of
5 such agency model approaches to common Year
6 2000 computer problems, such as model approaches
7 with regard to project management, vendor con-
8 tracts, testing regimes, and business continuity plan-
9 ning.

10 (2) VARIETY OF APPROACHES.—In developing
11 model approaches to the Year 2000 computer prob-
12 lem pursuant to paragraph (1), each Federal bank-
13 ing agency and the National Credit Union Adminis-
14 tration Board shall take into account the need to de-
15 velop a variety of approaches to correspond to the
16 variety of depository institutions or credit unions
17 within the jurisdiction of the agency.

18 (c) COOPERATION.—In carrying out this section, the
19 Federal banking agencies and the National Credit Union
20 Administration Board may cooperate and coordinate ac-
21 tivities with each other, the Financial Institutions Exam-
22 ination Council, and appropriate organizations represent-
23 ing depository institutions or credit unions.

24 (d) FEDERAL BANKING AGENCY DEFINED.—For
25 purposes of this section, the term “Federal banking agen-

1 cy” has the meaning given to such term in section 3(z)
 2 of the Federal Deposit Insurance Act.

3 **SEC. 4. REGULATION AND EXAMINATION OF SERVICE COR-**
 4 **PORATIONS CONTROLLED BY SAVINGS ASSO-**
 5 **CIATIONS AND SERVICE PROVIDERS.**

6 Section 5(d) of the Home Owners’ Loan Act (12
 7 U.S.C. 1464(d)) is amended by adding at the end the fol-
 8 lowing new paragraph:

9 “(7) REGULATION AND EXAMINATION OF SERV-
 10 ICE CORPORATIONS, SUBSIDIARIES, AND SERVICE
 11 PROVIDERS.—

12 “(A) GENERAL EXAMINATION AND REGU-
 13 LATORY AUTHORITY.—

14 “(i) IN GENERAL.—A service corpora-
 15 tion or subsidiary that is owned in whole
 16 or in part by a savings association shall be
 17 subject to examination and regulation by
 18 the Director to the same extent as such
 19 savings association.

20 “(ii) EXAMINATION BY OTHER BANK-
 21 ING AGENCIES.—The Director may author-
 22 ize any other Federal banking agency that
 23 supervises any other person who maintains
 24 an ownership interest in the service cor-
 25 poration or subsidiary to make an exam-

1 ination of the corporation or subsidiary for
2 purposes of clause (i).

3 “(B) APPLICABILITY OF SECTION 8 OF
4 THE FEDERAL DEPOSIT INSURANCE ACT.—

5 “(i) IN GENERAL.—A service corpora-
6 tion or subsidiary that is owned in whole
7 or in part by a savings association shall be
8 subject to the provisions of section 8 of the
9 Federal Deposit Insurance Act as if the
10 service corporation or subsidiary were an
11 insured depository institution.

12 “(ii) APPROPRIATE FEDERAL BANK-
13 ING AGENCY.—For purposes of clause (i),
14 the Director shall be the appropriate Fed-
15 eral banking agency with regard to a serv-
16 ice corporation or subsidiary described in
17 such clause.

18 “(C) SERVICE PERFORMED BY CONTRACT
19 OR OTHERWISE.—Notwithstanding subpara-
20 graph (A), if a savings association or subsidi-
21 ary, or any savings and loan holding company,
22 affiliate, or entity referred to in section 8(b)(9)
23 of the Federal Deposit Insurance Act, that is
24 regularly examined or subject to examination by
25 the Director, causes to be performed for itself,

1 by contract or otherwise, any services author-
2 ized under this Act or any applicable State law,
3 whether on or off its premises—

4 “(i) such performance shall be subject
5 to regulation and examination by the Di-
6 rector to the same extent as if such serv-
7 ices were being performed by the savings
8 association itself on its own premises; and

9 “(ii) the savings association, service
10 corporation, subsidiary, holding company,
11 affiliate, or entity shall notify the Director
12 of the existence of the service relationship
13 before the end of the 30-day period begin-
14 ning on the earlier of—

15 “(I) the date on which the con-
16 tract is entered into; or

17 “(II) the date on which the per-
18 formance of the service is initiated.

19 “(D) ADMINISTRATION BY THE DIREC-
20 TOR.—The Director may prescribe such regula-
21 tions and issue such orders, including regula-
22 tions prescribed or orders issued pursuant to
23 section 8 of the Federal Deposit Insurance Act,
24 as may be necessary to enable the Director to
25 administer and carry out the purposes of this

1 paragraph and prevent evasions of this para-
 2 graph.”.

3 **SEC. 5. REGULATION AND EXAMINATION OF CREDIT UNION**
 4 **ORGANIZATIONS AND SERVICE PROVIDERS.**

5 Title II of the Federal Credit Union Act (12 U.S.C.
 6 1781 et seq.) is amended by inserting after section 206
 7 the following new section:

8 **“SEC. 206A. REGULATION AND EXAMINATION OF CREDIT**
 9 **UNION ORGANIZATIONS AND SERVICE PRO-**
 10 **VIDERS.**

11 **“(a) GENERAL EXAMINATION AND REGULATORY AU-**
 12 **THORITY.—**

13 **“(1) IN GENERAL.—**A credit union organization
 14 shall be subject to examination and regulation by the
 15 Board to the same extent as an insured credit union.

16 **“(2) EXAMINATION BY OTHER FEDERAL AGEN-**
 17 **CIES.—**The Board may authorize—

18 **“(A)** any Federal regulatory agency that
 19 supervises any activity of a credit union organi-
 20 zation; or

21 **“(B)** any Federal banking agency (as de-
 22 fined in section 3(z) of the Federal Deposit In-
 23 surance Act) that supervises any other person
 24 who maintains an ownership interest in a credit
 25 union organization,

1 to make an examination of the credit union organi-
2 zation for purposes of paragraph (1).

3 “(3) CREDIT UNION ORGANIZATION DE-
4 FINED.—For purposes of this section, the term
5 ‘credit union organization’ means any entity that—

6 “(A) is not a credit union;

7 “(B) is an entity in which an insured cred-
8 it union may lawfully hold an ownership inter-
9 est or investment; and

10 “(C) is owned in whole or in part by an in-
11 sured credit union.

12 “(b) APPLICABILITY OF SECTION 206.—A credit
13 union organization shall be subject to the provisions of
14 section 206 as if the credit union organization were an
15 insured credit union.

16 “(c) SERVICE PERFORMED BY CONTRACT OR OTHER-
17 WISE.—Notwithstanding subsection (a), if an insured
18 credit union or a credit union organization that is regu-
19 larly examined or subject to examination by the Board,
20 causes to be performed for itself, by contract or otherwise,
21 any services authorized under this Act or any applicable
22 State law, whether on or off its premises—

23 “(1) the performance of such services shall be
24 subject to regulation and examination by the Board
25 to the same extent as if such services were being

1 performed by the insured credit union itself on its
2 own premises; and

3 “(2) the insured credit union or credit union or-
4 ganization shall notify the Board of the existence of
5 the service relationship before the end of the 30-day
6 period beginning on the earlier of—

7 “(A) the date on which the contract is en-
8 tered into; or

9 “(B) the date on which the performance of
10 the service is initiated.

11 “(d) ADMINISTRATION BY THE BOARD.—The Board
12 may prescribe such regulations and issue such orders as
13 may be necessary to enable the Board to administer and
14 carry out the purposes of this section and prevent evasions
15 of this section.”.

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